

## **Andrew Jackson to William John Duane, June 26, 1833, from Correspondence of Andrew Jackson. Edited by John Spencer Bassett.**

### **TO SECRETARY DUANE.<sup>1</sup>**

<sup>1</sup> Jackson MSS., vol. 83A. This paper was enclosed in Jackson's letter to Duane of the same date, the letter immediately preceding this.

Boston, June 26, 1833.

*Sir*, The President of the United States deems it proper to submit to you a full developement of the policy which he thinks it is his duty to pursue in relation to the Bank of the United States, and the future arrangement of the public revenue so far as it depends on his action or authority.

In his first message to Congress in December 1829 he expressed his doubts of the constitutionality and expediency of the present Bank of the United States, and called the attention of his fellow citizens, as well of Congress as the country at large, to the question of its re-charter or the substitution of a new Bank upon different principles.

In his message of December 1830 he repeated his doubts on this subject, and threw out for consideration some suggestions in relation to a substitute.

In his message of December 1831 he referred to the opinions expressed in his preceding annual messages and declared that he left the subject to the consideration of the people and their representatives.

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At that session of Congress the Bank petitioned for a renewal of its charter and the Representatives of the people and of the states in Congress, by a majority of the both Houses, passed a Bill granting their request. Upon this bill the President deemed it his duty to put his constitutional veto. The President was then a Candidate for reelection. His veto of the Bank bill brought the subject directly before the people who were about to express their opinion upon his official acts. By both parties in the contest the principal issue was joined upon the Bank veto, and by a decisive majority the people condemned the bill passed by Congress and approved the act of the President declaring the Bank to be both inexpedient and unconstitutional. To this decision given by the highest power known on earth it was hoped that the Bank and its advocates would cheerfully submit. To the public functionaries who are now called upon to act on the subject, it seems to the President that it ought to be a rule and guide next in authority to the constitution itself, because it was given by a majority of the states and a majority of the people who make the law makers, and have a right to direct them. He therefore considers it a settled question so far as public sentiment is concerned that the present Bank of the United States is not to be rechartered.

Thus far no suggestions of any particular substitute seem to have been received with favor by the great community. To most of the projects which have been thrown out the same constitutional and other objections exist which have induced the people to condemn the present Bank. In the Presidents view, any Bank created by Congress authorised to exercise corporate powers or transact private business out of the district of Columbia without the consent of the states would be unconstitutional, and it is questionable whether any Bank whose corporate powers should be limited to the district would succeed in making such arrangements with the state Governments as would enable it to act efficiently under their jurisdiction as the agent of the general Government in the management of its fiscal concerns.

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There is just ground to fear that in the creation of a substitute as great danger, if not greater, may be incurred as that which now threatens the American people. A corporation of individuals deriving its powers from Congress, pervading every section of the union, will in the general, by controlling the currency and leading men of the Country, be more powerful than the Government, and may seriously thwart its views and embarrass its operations. This is one of the dangers of the present Bank. But any substitute which should concentrate the same or a like power, and be put entirely under the control of the general Government, might, by the union of the political and money power, give the administration of the Government more influence and the Government itself more strength, than is compatible with the safety of the states, the liberties of the people, and the purity of our republican institutions.

Having considered the subject in all its bearings the President has come to the conclusion that all idea of any substitute for the present Bank, in the shape of a new institution, ought to be abandoned at least for the present.

The President having adopted this opinion as the guide of his future conduct it becomes the bounden duty of the Executive branch of the Government to make a different and seasonable provision, as far as it has power to do so, for this branch of the public service. The state institutions are in his opinion competent to perform all the functions which the U. S. Bank now performs or which may be required by the Government. At the same time that they cannot so effectually concentrate the money power, they cannot be so easily or effectually used for individual, political or party purposes as a bank of the United States under any form and of any character. It is therefore the desire of the President that you should immediately turn your attention to the making of such arrangements as will enable the Government to carry on all its fiscal operations through the agency of the state Banks.

Connected with this subject is the question of a discontinuance of the public deposits in the Bank of the United States, and the substitution of the State Banks for that purpose. That such a change must at length take place is admitted by all those who acquiesce

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in the decision of the American people at the last presidential election. The question is merely one of time.

The embarrassments that would unavoidably result from an omission to make the change until the expiration of the charter of the Bank of the U. States are too apparent to require explanation. The least reflection and the slightest acquaintance with the subject will suffice to satisfy all disinterested and unprejudiced minds that unless the President looks either to a renewal of the charter of the present Bank or the establishment of a new one (from either of which views he is precluded by his declared opinions) he would best discharge his duty by putting the plan he proposes in operation in sufficient season before the expiration of the charter to afford a satisfactory test of its practicability when that time arrives. The charter of the present Bank expires on the 3rd day of March 1836. With the best exertions on your part it will not probably be in your power to complete the arrangements with the state Banks so far as to enable you to commence the deposits in them until the middle of September. From that time to the expiration of the charter is upwards of two years, a period which will not be more than sufficient to test the efficacy and propriety of the substitute he wishes to have adopted. The President is therefore of opinion that it would be a just and wise exercise of the discretion in the matter conferred by law on the Secretary of the Treasury to direct the public deposits to be made in the state Banks from and after the 15th of September if the arrangements to me made with them should then have been completed. The President has no doubt that the proposed experiment will serve to satisfy the people that a national Bank can be dispensed with without serious injury or embarrassment to the public service or to the substantial interests of the country. If the result be otherwise it will then become the right and duty of the Government and people to decide between enlarging the authority of the Federal Government and the exercise of that which it possessed within the District of Columbia.

The only objections that can be made to so early an exercise of the authority conferred upon the Secretary of the Treasury over the public deposits must have their foundation either in the interest of the bank, and the supposed claims of that institution upon the favor

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of the government, or in a supposed capacity and disposition on the part of the bank to impair the public credit and embarrass the pecuniary affairs of the country in case of a disregard of its wishes, and in an apprehended deterioration of the currency.

The president does not find any insuperable obstacle to the proposed measure in either of these considerations. The Bank has now no right to invoke the favor of the Government. Whatever may heretofore have been its claims in that respect they have, the President regrets to say, been forfeited by the unjustifiable and high handed manner in which its affairs have been administered—an administration in many important respects unfaithful as an agent of the Government, and which in the opinion of the President proves it to be an unsafe one. So far as the interests of the Bank are identified with those of the public, and as it respects a careful observance of the public faith by securing to the Bank the full enjoyment of all the legal rights which are conferred by its charter, the Government will doubtless perform its duty. Further than this the Bank has no claim upon its favorable consideration.

It is the duty of the Bank to wind up its concerns in such a manner as will produce the least pressure upon the money market. This duty is rendered imperative as well in consideration of the extensive exclusive privileges which it has so long enjoyed as by the best interests of the stockholders. but if on the contrary it be the pleasure of those interested in the management of its affairs, in revenge for a refusal of the Government to comply with its wishes, by continuing to it privileges when all moral as well as legal rights to them have ceased, to mark its dissolution by such an abuse of the national trust, the company must abide the issue. To succumb to the demands of the Bank upon such pretences and under such a menace would be a virtual subversion of the Government productive of more immediate dishonor and ultimate detriment to the best interests of the Nation than can possibly arise from the adoption of any other course. The President is however happy to believe for reasons hereinafter given there is no solid foundation for the alarm which has been sounded on this subject. That the currency of the country could be better preserved by means of a well regulated and honestly conducted national Bank is very

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possible, although it is quite certain that the difference between a circulating medium supplied by such an institution and that which is furnished by the state Banks in the present prosperous condition of the country is greatly exaggerated. But if the apprehended derangement of the currency should take place it will be for the people to say whether they will seek redress for the evil by conferring constitutional power on Congress to establish such a Bank. No good citizen, it is hoped, will desire to have it done in violation of the constitution. If the evil were upon us we should not seek an exemption from it at such a sacrifice, much less ought we to involve ourselves in it upon the mere anticipation of inconveniences which may never happen, and which the President firmly believes are not to be justly apprehended. He will state the facts upon which these opinions are founded, facts which he believes to be incontrovertible; and he will accompany that statement with such observations as are in his judgement called for by the occasion and fully justified by the nature and character of the transactions referred to.

At the beginning of the year 1831, the aggregate debt due the Bank of the United States was \$42,402,304. Although it was well aware that the Government designed shortly to call out nearly all the large deposit it then had in the Bank for the purpose of paying the public debt, and that its charter would expire in a few years, it nevertheless proceeded to increase its loans in such profusion that in May 1832 the debt due to it was \$70,428,070, showing an increase in sixteen months of \$28,026,766, equal to about sixty six per cent.

The *motive* of this enormous extension of loans can no longer be doubted. It was unquestionably to gain power in the country and force the Government through the influence of the debtors to grant it a new charter.

The *effect* of the extension was to put it out of the power of the Bank promptly and faithfully to pay over the public money received by it upon the demand of the Government in discharge of the public debt. The expedients to which it resorted to sustain itself under this unprecedented extension of its business and the pretences by which it has attempted to justify them, have proved it to be unworthy of the confidence of the Government.

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It will be recollected that the greatest extension of the business of the Bank was in May 1832. It has since been proved by its official acts and correspondence, that in March 1832, two months before the extension had arrived at its maximum, a negotiation was commenced with agents representing about \$1,700,000 of the three per cent stocks held in Holland and about \$1,000,000 held elsewhere, with the object of relieving the Bank from its payment for one or more years after it might be required to be paid by the Government. After this negotiation had been commenced, a notice from the Treasury Department that the Government intended to pay off one half of the three per cent stocks on the first of July succeeding, brought the President of the Bank to Washington for the purpose of soliciting a postponement of that payment until the first of the succeeding October. Upon his representation that in case the payment were required in July, the Bank would be unable to accommodate the debtors of the Government, especially in New York, as it had been done and desired still to do, and upon his undertaking on the part of the Bank to pay the interest for the quarter, his request was granted. By developements since made, it appears that not even the usual indulgence had been or was thereafter extended to the debtors of the Government or others at New York or elsewhere, their accommodations having been largely curtailed; and that the only conceivable motive of the Bank in asking the indulgence and agreeing to pay for it, was its own inability, with convenience or safety, to pay over a portion of the large public deposit on the 1st of July.

The relief obtained by this indulgence of the Government was not as extensive as the condition of the Bank seems to have required. The negotiation with the agent of the Dutch holders of the three per cents was continued; and early in the month of July, when the Bank understood that the Government intended to pay off the whole of the three per cents in the latter part of the year, a mission to England was projected with the view of secretly negotiating with the holders of those stocks residing abroad and inducing them by the payment of an interest equal to that paid by the Government, or greater if necessary, not to present their certificates for payment for one year at least.

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The agent of the Bank sailed for Europe in July, instructed to make the arrangement at all events, and on the 22d August entered into an agreement with the house of Baring Brothers and Co. by which, in consideration of the payment of all expenses and a commission of one half per cent by the Bank, they undertook

1. To invite the holders of the three per cent stock of the United States to retain their stock until October 1833, the Bank paying the interest quarterly.
2. To pay up the said three per cents on behalf of the Bank, the Barings retaining the certificates and passing their amount to the debit of the Bank which undertook to pay any interest they might be obliged to pay.
3. To give the Bank a credit in addition to its running credit for a sum sufficient to make up \$5,000,000, if the purchased and deferred stock should fall short of that sum, charging the same interest as on the running account with the Bank—their whole advances to be reimbursed by the Bank in October 1833.

The first item of this agreement was in direct violation of the duty of the Bank to the Government inasmuch as it was an interference without its knowledge or consent to prevent the payment of the national debt at the period when it was required, the stockholders being permitted as one article of the contract with them, to retain their certificates. This was the less excuseable in the Bank, because the amount required to be paid on the 1st of October was less than \$9,000,000, when the public deposits at the time the agent was sent to England and the agreement was formed exceeded \$11,600,000, and on the first of October had increased to \$13,661,193.

The second item of the agreement was a direct violation of the charter of the Bank, which forbids the purchase by it of the public stocks of the United States.

The substance of the three items of this agreement, specifically set forth, was received by the President of the Bank in a letter from the agent about the first of October 1832,



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the time at which the payment of two thirds of the three per cent stocks was required by the Government to be made. This arrangement relieving the Bank from the necessity of making payment in October and the succeeding January to the amount of \$5,000,000 or providing means to meet them other than the usual resources of the Bank, enabled the institution at the time of its receipt, to change its policy, measurably suspend its curtailments, and in some quarters extend its accommodations. These steps taken immediately upon receipt of the substance of the agreement, indicate that the Bank sanctioned the act of its agent and did not then contemplate any disavowal or change of its terms.

This negotiation had been commenced and consummated without the knowledge of the Government. The agreement formed was even concealed from the directory of the Bank and they were induced by other considerations urged by the President to change the policy of the institution.

About the 12th October, thro' the publication of the circular sent out by the Barings in pursuance of their agreement with the Bank, the Government and directory obtained the first intimation of this transaction. It was now evident that all its features must come to light; and three days afterwards the President of the Bank wrote a letter to the Barings disavowing so much of the agreement as related to the purchase of stocks and proposing a new arrangement in relation to the deferred stock which should at the same time relieve the Government from its responsibility and the Bank from the payment of the money at least for one year.

From that time forward the Bank has been struggling to retrace its steps and rid itself of its first secret and unauthorized agreement. It has procured most of the certificates, and surrendered them to the Government, but has made new arrangements avoiding the payment of money for them to a large amount, thus confirming the inability of the Bank to pay over the public money on deposit when it was required. If the new arrangement proposed in relation to the purchased stock and other stock which the Barings were

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requested to purchase under certain circumstances, has been carried into effect, it is in fact as much a purchase and as much a violation of the charter as the first transaction.

The President thinks the conclusion cannot be resisted, that it was the purpose of the Bank or its chief managers, to carry into effect the illegal contract with the Barings, and that this result was prevented only by the publicity casually given of the transaction; and he does not consider that any confidence is due to an institution which is ready to violate its charter and thwart the payment of the public debt, provided the means and manner by which it operates can be concealed from the Government and the country. Nor does it recommend itself to public confidence when it alleges as reasons for these various negotiations and arrangements a desire to accommodate the public debtors, which it never did, and to avert the evils of a pestilence which had neither appeared nor was anticipated when they were first originated. Least of all can the Government place any confidence in it when it has attempted without the least foundation in fact, to attribute its own illegal and unauthorised act to suggestions made by the Government itself.

The President looks upon these transactions as conclusive proof of the inability of the Bank during the year 1832, to refund to the Government its public deposit for the payment of the public debt, as it was its duty to do. And he considers the pretences and misrepresentations by which it has attempted to conceal the true cause from the Government and country, as proving it to be unworthy of public trust.

Not the least obnoxious part of these transactions is the object for which the Bank sought to retain the public deposit and postpone the payment of the public debt. It had used the money of the people in extending its loans \$28,000,000 in sixteen months, for the purpose of bringing the people within its power. It had secured to its interest editors and presses by extraordinary loans upon unusual terms. By the same means it had sought to procure the friendship and support of public men who might have an influence or a vote upon the question of its recharter. By the use of the public funds as well as its own, it was attempting to controul public opinion and overawe the Government. It begged indulgence

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of the Government that it might retain its own funds as the means of controlling it, and when those funds could no longer be retained with its consent, it sought to keep them without its consent by secret arrangements with the public creditors residing in Europe, and when detected in its efforts resorted to direct loans from foreigners to enable it to accomplish the same ends. 10

It was, when its loans and accommodations were approximating to the highest point that the Bank came before the Government for a recharter, and they reached their maximum while the subject was under consideration in Congress. With debtors to the amount of seventy millions of dollars, it threw itself into the political arena and submitted its case to the people of the United States. Its presses poured forth their arguments and predictions of mischief from the veto of the president—it expended its money in the publication and distribution of political essays affecting the question of recharter and impeaching the acts of the executive—the most direful evils were anticipated by its advocates from its destruction, and every effort which money could command or zeal render was made to secure in its favor the verdict of the American people. In this struggle it was sustained not only by its own funds but by a public deposit of \$12,000,000. It was to be expected that after being defeated in a conflict so tremendous it would have acquiesced in the decision which it had sought and provoked, and without further exerting its power or spreading its corruptions would have been content quietly to wind up its concerns. Contrary to this just expectation its organs and advocates declare it to be again in the field, seeking to over rule thro' an act of the agents of the people the solemn decision of the people themselves. It had been increasing its accommodations to the managers of the press and favoring public men with extravagant loans for unusual terms and on doubtful security. The chief business of the Bank instead of being performed by “not less than seven directors” as enjoined by the charter and in accordance with the rules has been done by committees whose proceedings are concealed from the board. To cut off all channels of communication with the Government in relation to its acts and abuses, not one of the five government directors was at the commencement of the present year appointed upon a

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single committee. And when those directors sought to reform this abuse and restore the business of the Bank to the Board according to law and its own rules, that Board, instead of changing the practice to conform to the rule, changed the rule so as to conform it to the practice, thus not only in practice but by a positive rule violating, repealing, and setting aside an express and material provision in the act of congress which gave it existence. Although at a more recent period and by an unusual remodelling of the Committees, a part of the Government directors has been placed upon some of them, yet in the exchange committee, through which most of the extraordinary loans referred to have been made, the Government is still wholly without representation.

The allegation recently so often promulgated that the Treasury of the United States was exhausted and insolvent, when it has not within the last and present year, had less than six millions of public money in its vaults, might have been passed over as a harmless misrepresentation; but when the Bank seeks by substantial acts to impair the credit and depreciate the honor of the country at home and abroad, the affair assumes a different aspect. A bill was drawn by the United States on the Government of France for about \$900,000, being the amount of the first instalment then due under the late treaty of indemnity. The Bank became the purchaser of the bill, and it was accompanied as required by Treaty with an order of the President formally executed, authorising the cashier of the Bank as his assignee to receive the proceeds. But the money for which the Bill was sold instead of being drawn out by the Government remained in the Bank. The French Government, contrary to all calculation, suffered the bill to be protested, and it was paid out of the funds of the Bank by their agents in Paris. The Bank without having incurred any damage save a trifling expense and a trifling disappointment, have claimed of the Government, without law and contrary to right fifteen per cent for damages amounting to about \$135,000 with interest,. This it does although it has had the use not only of the proceeds of the Bill, but of a public deposit equal to seven or eight millions of dollars during the whole time free of charge. This claim and the spirit in which it is presented, ill became an institution which was created for the convenience of the Government, has had

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for ten years an average public deposit of near nine millions of dollars which it has used without charge in loans and exchanges at great profit, and even now has thus in use about eight millions of public money.

By these misrepresentations and acts on the part of the Bank, the President thinks it has forfeited all claim to the confidence of the Government and ought not to be longer retained in its service.

In his message at the opening of the last session of Congress the President recommended an inquiry into the transactions of the institution, embracing the branches as well as the principal Bank with a view of ascertaining whether it was any “longer a safe depository of the money of the people”.

The apprehension then intended to be expressed was not that upon a final settlement of all its concerns the Bank would not be able to pay the Government the amount of its deposit, but simply that it was unable or unwilling to pay over that deposit when demanded by the Government for the public service, in either of which events it must be pronounced *unsafe* .

The committee of ways and means of the House of Representatives to which the subject was referred, did not make the general investigation recommended by the President. They confined themselves chiefly to the transactions relative to the three per cent Stocks and elicited many facts tending rather to increase than diminish the apprehensions previously entertained. In the slight attention paid by them to the general concerns of the institution several important facts of the same tendency were disclosed, particularly in relation to the means by which it had kept up the appearance of great strength during the year 1832 and the character of its western debt. In the facts developed by the committee, the President finds cause rather of increased apprehensions for the safety of the public interests, if the connection between the Government and Bank be further maintained, than of any abatement of those expressed in his message. It is true that the House of Representatives

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without having an opportunity to examine, on account of the lateness of the session, and then not being printed, the report of the Minority or the evidence on which the views of either the majority or minority were maintained, declared, by a large majority, that in their opinion the public deposits were safe in that institution. That expression of opinion, though entitled to much respect, is neither conclusive nor obligatory upon the Executive Department, if the state of its information leads to a different conclusion. It is deemed of the less weight now, because the subsequent conduct of the Bank has evinced its determination to persist in and perpetuate the abuses which have heretofore given just cause of complaint, to misrepresent its own condition and that of the Treasury, and to impair the credit of the Government itself.

But the insecurity of the public deposits is not the *only* reason which will justify their removal from the Bank of the United States. The President thinks that the use of the means and power which they give to corrupt the press and public men, to control popular elections, to procure a recharter contrary to the decision of the people and to gain possession of the Government which it was created to serve, are substantial reasons requiring their removal. He thinks that reasons equally conclusive may be found, in the exclusion of the Government directors from all participation in the principal business of the Bank, performing in secret committees, that which should be done in full board, and cutting off, as far as possible from the Government all knowledge of its material transactions and the condition of its debt. But the strongest and controlling reason in the mind of the President is that which has been before referred to and which consists in the necessity of organizing a new scheme for the collection, deposit and distribution of the public revenue, based upon the state banks and making a fair experiment of its practicability before the expiration of the charter of the existing Bank, that the country may have a fair opportunity to determine whether any Bank of the United States be necessary or not.

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The President has weighed with great care the reasons which have been urged from all quarters against severing at present, the connection between the Bank and the Government.

A leading objection is, that the bank of the United States has the power and in that event will have the disposition, to crush the state Banks, particularly those which may be selected by the Government as the depositaries of its funds, and thus cause wide spread distress and ruin throughout the United States. If this apprehension be well founded, it proves two things of fearful import. First, that the Bank of the United States has the power to accomplish the ruin of the state Banks and cause general bankruptcy and distress among the people: and secondly, that there is a disposition to exercise that power, unless its forbearance be purchased by that of the Government. A conviction that these things are so, instead of inducing the President to forbear, would only make him the more determined, by all the legitimate means in his power, to resist a corporation which, altogether irresponsible to the people, already holds in its hands their interests and their happiness. If this despotism be now partially fixed upon the country, a struggle must be made to cast it off or our people will be forever enslaved: and that struggle can never be made with less distress to them or under more favorable auspices than at the present moment.

But the President, as already stated, looks upon all these apprehensions as destitute of real foundation. The same language was held before he put his veto upon the recharter of the Bank as well as subsequent to that important act. Time has shown, that the curtailment of the accommodations and circulation of the Bank produces no sensible effect upon the business of the country. The establishment of new state banks and an extension of the old, fills up the space from which the US Bank withdraws, and the great community is scarcely sensible of the change. Such will be the progress of events until the Bank has wound up its concerns and ceased to exist, when its absence will neither be felt nor regretted by the people.

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It is the Presidents opinion, that the power over the state Banks which the Bank of the United States now possesses, is derived almost wholly from its receipt of the public revenue. It is chiefly thro' the moneys thus received that it obtains, directly, or indirectly, the paper of the state Banks and raises ballances against them. If its receipt of the public revenue shall cease, its means of raising those ballances will cease. If the state Banks become the receptacles of the public revenue they will be instantly enabled to raise like balances against the Bank of the United States and its branches. That Bank will not only be deprived of power, but that power will be transferred into the hands of the state Banks, thus producing a double effect on both parties. The state Banks being without branches, have but one point to guard, and all their concerns are under the eye of one directory; but the Bank of the United States, being divided into twenty six offices or Departments, scattered thro' the union, has twenty six points to guard, and not knowing at which an enemy may strike must be fortified at all. If it make war upon the state Banks selected as the agents of the Government what can prevent the latter from accumulating in the receipt of the revenue the notes of any one of the interior branches, to an amount larger than their specie on hand, and without notice presenting them at their counters for payment? How could the Bank of the United States in case of a contest with the state Banks guard against the stoppage by this process of all their interior branches in detail, especially when it is considered that the notes of all its branches, in consequence of being received in payment of revenue duties, naturally concentrate at Philadelphia and New York, where they constitute in fact, as shown by the Bank reports, almost the entire currency in which those duties are paid? By this tendency of the currency large ballances now accrue in the principal Bank and Atlantic branches of the U. S. Bank against the interior branches, the inconvenience of which is not seriously felt because they are all parts of the same institution. But the state Banks when in receipt of this paper, will not permit them to accumulate; and if they choose to make war on the interior branches, may with perfect ease break them up, one after another, by throwing back the circulation in masses which they will not be prepared to redeem.



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It has been urged as an argument in favor of a bank of the United States as well as not disturbing the present Bank by a removal of the deposits, that great injury will accrue to the country from a loss of the general currency, every where of equal value, now alleged to be furnished by the Bank of the United States.

The only currency known to the constitution of the United States is *gold and silver*. This is consequently the only currency which that instrument delegates to Congress the power to regulate. A general paper currency, being unknown to the constitution, does not come within the scope of any of its provisions, and cannot be regulated under its authority. To prove its usefulness or necessity might prove the expediency of enlarging the powers granted in the constitution, but not of exercising a power not granted.

But it is not a fact that the Bank of the United States furnishes a currency of equal value throughout the country. The notes of one Branch are not cashed at another, nor are they taken on deposit, nor generally even in payment of debts. So far as its own business is concerned, as independent of that of the Government, the notes of each branch are now a local currency and their credit confined to its vicinity. But the Government by receiving all those notes in payment of duties and taxes throughout the United States gives the general credit they possess in opposition to the policy of the Bank. If the favor of the Government were withdrawn and branch notes no longer received in payment of public revenue, the present policy of the Bank would make them as much a local currency circulating only in the immediate vicinity of the branches whence they issued, as are now the notes of the State Banks. And it is in the power of the Government at any moment to give a general credit to the notes of twenty six or any other number of state banks, by announcing that they will be received in payment of public dues throughout the United States. It is not the bank, therefore, which furnishes the general currency but the Government. The Bank only stamps the paper and puts it in circulation; but it is the Government that gives it a general credit. When the U.S. Bank shall cease to be, we shall still have such a general paper currency, consisting of the notes of state Banks receivable in payment for public dues.

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It will be, as it is now, the act of the Government, and that only, which will give it general circulation and an equal value. On that score, therefore, no serious inconvenience will arise to the Government or the people.

As an argument that the present Bank ought not to be further molested and that its charter ought to be renewed or another Bank established to take its place, reference is frequently made to the distresses of the last war and the derangement of the currency which grew out of them. The President is satisfied that had the old Bank of the United States been continued in existence during that period, instead of aiding the Government in carrying on the war, it would have compelled it to make peace on ignominious terms. Not only was a large portion of its stock held by the subjects of the British monarchy, but they had a right to vote in the choice of directors, and much of the domestic stock is believed to have been held by men who were equally disposed to embarrass the prosecution of that war. So far from aiding the Government itself it would undoubtedly, not only have opposed it, but prevented the state Banks from rendering that aid which was actually received from them.

It is unjust to the state Banks to attribute to them the embarrassments of the Government and country which led to the suspension of specie payment and a depreciated paper currency. All those evils are attributable to other causes. In consequence of combinations among men of wealth opposed to the war the requisite loans of money could not be procured, disasters overtook our arms for the want of the necessary supplies of funds and others were threatened. If patriotism ever actuated Banks, it was felt in the operations of many of the local banks at that gloomy period. At the hazard of their existence, they furnished the means of raising armies and maintaining them in the field; and it was in their efforts to sustain the Government that they so far crippled themselves as to be obliged to suspend the payment of specie. If the Bank of the United States had then existed, it must have done as the state Banks did, or it would have effected nothing in support of Government. If it had not joined the combination against the Government it could not have furnished the funds which the exigencies of the country required without suspending the

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payment of specie. Instead of hostility and persecution the Government owed the state Banks gratitude and support. Their credit during the whole was as good as its own, and without their aid the Treasury would have stopped payment. But no sooner had peace arrived and a profusion of revenue begun to flow in, than the Government, not recollecting that it was impossible for the State Banks at once to bring down their business and redeem themselves from the difficulties into which they had thus been led, insisted upon an immediate resumption of specie payments; and because a demand so unreasonable was not forthwith complied with, created a new Bank of the United States to coerce them. There is not a doubt in the mind of the President, that had not this institution been created, all the State Banks which were sound, would have been compelled by public opinion to resume the payment of specie as soon as they were able, and that in a short period every section of the Union would have enjoyed a sound currency. And is it not evidently fallacious to anticipate now, in time of profound peace and unexampled prosperity, the same results which then flowed, not from the destruction of the old bank, but from a desolating war, the suspension of commerce and universal embarrassment? We are often told of the alleged difference of exchange between the northern and southern states at that period, and it is attributed to the state Banks. Those Banks in the North which looked coldly upon the great contest and gave no aid or support to the Government, were enabled to maintain the payment of specie, while more patriotic institutions were compelled to stop. Their paper consequently depreciated; and that which is now so often spoken of as difference of exchange was in reality a difference in the value of the currency, which could never again arise but under similar circumstances. And who believes that public opinion will ever sustain the Banks in any quarter of the Union in refusing to redeem their notes in a time of profound peace and general prosperity? No such result is to be anticipated. There will be only a difference of exchange, which can never much exceed the cost of transporting specie, and by arrangements among the Banks, may be less.

It is frequently boasted that the Bank of the United States is largely beneficial to the country in effecting domestic exchanges at a low rate. There are two sorts of exchange

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business carried on by the Bank of the United States. The *bona fide* exchange, in which the Merchant or trader deposits his funds in one branch of the Bank and takes a check or draft on a distant branch near the spot where he wants to use them, or draws and sells to the Bank a draft on a fund deposited to his credit in a distant branch or which he verily expects will be, is undoubtedly beneficial to the country. But that kind of exchange business which is carried on by drawing and redrawing, to enable speculators to raise funds and men in desperate circumstances to sustain their credit, is a source of much mischief to the country. It is evident from developments heretofore made, that a large portion of the exchange business now done by the Bank of the United States, is of this description. If that Bank should cease to exist, there is no reason to suppose that the *bona fide* exchange will not be carried on by arrangements among the State Banks on terms nearly if not quite as favorable as it is now. that which is profitable to one great institution carried on through many Branches, must also be profitable to the small institutions who may take their places.

Merit is often claimed for the Bank of the United States because it has faithfully transferred the public funds without loss to the Government. The transfer of the public funds is known to be a source of profit to the Bank instead of a burden, and the more distant the transfer the greater the profit. The exchange is always in favor of the Eastern cities where the revenues are principally collected, and bills drawn on those points in the distant south or west to transfer the public funds or for other purposes, are sold at a premium. At the same time, the Bank has the use of an average public deposit of near nine millions, the employment of which at five per cent, must yield about \$450,000 per year. It would be bad management indeed, which should so completely dissipate this profit and all the means and stock of the Bank as to cause a loss to the Government of any portion of its deposit.

But the Government has once lost as a Stockholder, if never as a depositor. On the seven Millions of stock subscribed, it long paid the Bank an interest of five per cent, the subscription having been in five per cent stocks of the United States; and from January 1819 to July 1822, the Bank either declared no dividend or declared one less than five per

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cent, so that the amount paid to the bank during that period exceeded the amount received from it about \$822,500.

The losses in the State Banks after the close of the war were remarkably small considering the immense amount collected by the Government during that period and the convulsions produced by the arduous contest in the business of the Banks and the country. No inference can be justly drawn from them favorable to the United States Bank which has encountered no such difficulties, or unfavorable to the State Banks in their future career.

On the whole, the President thinks the same advantages may be secured to the government and country from the employment of State Banks as from a Bank of the United States, without any of the dangers. He sees no serious difficulty in transferring the Public deposit at an early period from the one to the other, as the first step, in an attempt to dispense with a national Bank. It is not the desire of the President that the deposit should be drawn suddenly so as to embarrass the operations of the Bank of the U. S. or create any shock in its relations with its debtors or the community. To make the desired change in as gentle a manner as possible, it may be expedient not to require any actual transfer of funds from the Bank of the United States, but to leave the money now on deposit in that institution, to be drawn out gradually by the usual Treasury warrants for the public service, and direct the future deposits to be made in the State Banks. This plan seems to be recommended by the double advantage, that it will give the State Banks time to digest their plans of operation before any call shall be made upon them and leave to the Bank of the United States no cause to complain of the harshness of the government. No just ground of hostility towards the State Banks will be left to it, and if its affairs have been as well managed as has been represented, it will be under no necessity to make oppressive calls upon its debtors.

In the accomplishment of the object in view there are some points which must be particularly guarded.

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The safety of the public deposits in the State Banks must be secured beyond a doubt. They must undertake to remit to any part of the United States, and there pay in gold and silver or their equivalent, such portion of the public monies received by them as may be required, without expence to the government.

They must undertake to perform if required, without compensation, any other duties or services which the government may now lawfully require of the Bank of the United States.

They must agree to make reports of their business and condition to the Secretary of the Treasury at least once a month and as much oftener as he may require.

They must agree to subject themselves to a critical investigation of their affairs by the Secretary of the Treasury in person or by any agent duly authorized by him.

They must agree to pay any expences which the government may incur in making the new arrangement, or employing any agent, temporary or permanent, to look after that portion of the public interest which may be entrusted to their care and management.

In fine, the government must be placed on a footing, both in relation to convenience and expence, at least as favorable to its interests as that which now exists.

It will also be expected of the State Banks which may be employed by the government, that they will facilitate *bona fide* domestic exchanges for the interests of commerce and the convenience of the people, grant reasonable facilities to the payers of public revenue, exercise the utmost liberality towards the other State Banks, and do nothing unnecessarily to embarrass the Bank of the United States. The great object being to rid the country of the dangerous and irresponsible power necessarily concentrated in that Bank, care must be taken not to raise up another equally formidable. Perhaps such a result is impossible by any organization of the State Banks, as they are amenable to the state Governments on which they depend for their existence. But to prevent even an apprehension in the public mind of such a result, it will be expedient to interfere with

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the Banks employed as little as possible, and to require and exercise no other or further control over them than is absolutely necessary to secure the public deposits and insure a faithful performance of the duties incident to their transmission. If the Banks selected shall, jointly, or any of them, seperately, be detected in using their power to favor one man or set of men and oppress another, to accomplish any political purpose whatever, it is the determination of the President that they shall be no longer employed by the Government, so far as he has the power to prevent it. So far as the Government is concerned, they must confine themselves to collecting, safely keeping, and faithfully paying the public money whenever and wherever required. It is the Presidents desire, wholly and forever, to seperate the control of the currency from the political power of the country and from every question which may hereafter be agitated in the Congress of the United States. And he deems it equally important to take that control from an institution which is not responsible to the states or the people, and has already attempted, as it may again, to subject the Government to its will. As fearful as would be the committing of a controlling power over the currency in the hands of the Executive, it is not more so than its concentration in a Bank which aspires to direct the Legislation of Congress. To obviate both dangers, he wishes to see the action of the general Government on this subject confined to the grant in the constitution which only authorises Congress "to coin money and regulate the value thereof".

The President is sensible that his own ease and comfort, as well as the quiet of his administration, would be promoted by leaving to others the whole subject of the Bank of the U. S. and the public deposits. But he deems it so important to the present and future interests of our country, to the purity of our Government and the liberties of the people, that he cannot permit any personal considerations to persuade him to silence or inaction. Had he no other motive to impel him, he should find a sufficient one in gratitude to the people, who, as he conceives, reelected him to the exalted station he now holds, chiefly for the purpose of carrying into effect the principles of his veto message.

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As the subject of this letter belongs principally to your Department, the President has thought it proper to communicate to you in writing the course of policy appertaining to it which he desires to have pursued, as well to enable you thoroughly to understand it, as to take upon himself the responsibility of a course which involves much private interest and public considerations of the greatest magnitude.